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# Farmer response to land use policy in the Slovak Republic

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# Farmer response to land use policy in the Slovak Republic

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# ABSTRACT

The Slovak farmer has played a pivotal, though seldom-recognized role in the country's transition to a free market economy since 1991. Rural development opportunities as well as challenges evolved from land privatization. Petty-commodity farmers have managed the economic transition by relying on their agrarian roots to provide for themselves, their families and one another, while becoming agricultural entrepreneurs.

The purpose of this study was to examine farmer response to land use policy in the Slovak Republic. Among the findings were: (a) the land restitution and privatization process provided opportunities for entrepreneurship; (b) the Slovak communal and utilitarian tradition is a challenge for both independent farmers and cooperative farm managers; (c) access and the ability to use land are a greater detriment to the land market than land atomization; and (d) unreliable cash flow challenges economic growth throughout the country and is exacerbated by the state.

Multi-level production provides the greatest potential for economic opportunities and rural development. It is recommended that multi-level production consisting of small, petty-commodity farms (operations less than 1 ha in size), medium-sized farms (operations between 1 and 500 ha), as well as larger farms (operating on more than 500 ha) be encouraged. Land use policy should be evaluated and redesigned to eliminate the current inequitable bias towards cooperative farms and large-scale agricultural production.

# CHAPTER 1. INTRODUCTION

## Independence and Privatization for the Slovak Republic

### New opportunities and new challenges

During a three-year period from 1989 - 1991 the area that is now the Slovak Republic, experienced first the transition from communism to democracy and then its independence from the Czech Republic. The Slovak Republic's independence from the Czech Republic was not without consequences, resulting in diminished economic potential. Most of Czechoslovakia's industry is located in the Czech region. Access to international markets through rail and roads is more favorable in the Czech Republic because of their common borders with Germany and Austria –two economically stable democracies that were already part of the European Union. In contrast, the Slovak Republic shares borders with Poland, Ukraine, Austria and Hungary. Each of these countries faced challenges developing their economies similar to those of the Slovak Republic. Additionally, a large percentage of the Czech Republic's population resides in urban areas, whereas the Slovak Republic's population largely resides in rural areas. Bartova (2000) reported that almost half of the land in Slovakia is classified as rural. Bartova (2000) defined rural as 150 or fewer inhabitants per square kilometer, and indicates 78% of the population resides in these rural areas.

The political decision to shift to democracy brought with it an economic change to a free market system, and subsequently the push for privatization and restitution in order to develop a land market. A land market refers to the supply and demand for land based on its usability (what activities can take place on the land). Privatization and restitution are viewed as key components to the development of a land market, by providing a supply of land for

new investors and entrepreneurs. A land market is a key indicator of country's or region's economic health and vitality because without it local citizens do not have collateral for credit, and there is little incentive for foreign investors (Bandlerova 2000). Given Slovakia's rural nature, it is highly dependent on agriculture for its economic future; therefore, it is crucial that the country have a land use and land ownership system that encourages agricultural development and economic growth.

Underestimated, and perhaps even overlooked at the start of the land privatization process, are the challenges for rural landowners (potential investors and agricultural entrepreneurs) and rural settlements. In many cases new landowners are not able to use or access their land, thus delaying the privatization and restitution process and hindering the development of a land market. Yet, another challenge to the land market is the role inheritance laws play in the fragmentation of restituted land plots. Slovak inheritance laws entitle all offspring to equal divisions of their parent's property, as a result, land parcels are atomized in the Slovak Republic. Bielik (2003) documented, "In 1997, there were 9.6 million plots of the average size 0.45 ha of agricultural land, owned by 12 –15 owners" (p. 352). As a result, land restitution and privatization has not had the positive economic impact government leaders anticipated, in part, because of an immature land ownership policy.

**Land use policy and rural development**

Bandlerova and Marisova (2000) further explained the implications of underdeveloped land use planning to rural land use (specifically agricultural land) and rural settlements. "Rural settlement is closely connected with agricultural production, and is not only the economic, but also the spiritual foundation of rural districts" (p. 129). Factors that

influence the agricultural land market are: supply and demand of land, location of the land within the country, location of the land within the district, physical access to land, access to transportation infrastructure, and soil quality. Bandlerova and Marisova (2000) continued that a land market is an important indicator of investment in rural development, and it will retain the rural population and demographic development will improve. They cautioned that the government and the law must allow suitable and purposeful development of the country with respect to natural resources, including agricultural land in order for the development of a land market, and ultimately, economic growth.

In addition to infrastructural and economic challenges, there are a number of social and cultural challenges for Slovaks desiring to participate as independent agricultural entrepreneurs. Kulcsar and Brown (2000) documented that culturally, Slovaks value utilitarian and communal activities, and as a result rural settlements have very strong social networks. If one farmer's acquisition of land results in direct competition for resources, or a loss of resources (often in the case of restitution) the community's social network is compromised. In some cases the financial failure of a cooperative farm may be perceived as the result of a single family's un-utilitarian actions (Kulscar and Brown, 2000). Life-long and deeply imbedded family friendships can be severed by such "self-centered" decisions.

## Research Questions

Despite such challenges, some Slovaks continue to involve themselves in agricultural activities. Given this situation and the need for people in Slovakia to participate in agriculture, this study was guided by the following research questions:

1. Who are the modern agricultural entrepreneurs?

2. What challenges have they faced as a result of the current land use policy?
3. How have they approached these challenges?
4. Why did they decide to start or remain in the agricultural industry?

This research focused on developing a holistic view of agricultural land ownership in order to have: (1) successful planning; and (2) successful rural community development.

This study will help rural development and community development planners by demonstrating the importance of social-embeddedness among farmers, and exemplifying the value of a land market and its connection with rural development. This research will also add to the scholarly research in the field of rural development and community development by challenging the modernization paradigm, and demonstrating the positive influence agriculture has on living conditions in the Slovak Republic. The modernization paradigm narrowly defines agriculture and farming as an industry from which participants carve out their entire wages (van der Pleog and de Rooij, 2000). It is based on the mechanics of production. Economic success under the modernization paradigm requires large-scale agricultural production that is input intensive. Such a paradigm does not give merit to small scale or petty commodity production (van der Pleog and de Rooij, 2000). In fact such activities are viewed as inefficient and detrimental to the market's stability. Moreover, the paradigm does not consider the social phenomenon that is the family farm and its embeddedness in local culture. Van der Ploeg and de Rooij (2000) charged, "One cannot deny the fact that the 'family enterprise' is a social construction that emerged from a long historical process of emancipation and socio-political struggle" (p. 47). The very issues of restitution and land ownership in the Slovak Republic are perfect examples of on-going socio-political struggle – thus further legitimizing the family enterprise. This research

demonstrates the important role land use policy can play in rural development, and agriculture's social-embeddedness among Slovaks. To date, few rural development strategies recognize Slovak cultural values and ties to the land. Rather, many strategies de-emphasize petty commodity production, referring to it as "underemployment".

## Research Methodology

This research employed grounded theory methodology. Throughout the research process, data, in the form of personal interviews, observations and informal interactions is interpreted and used to focus further data collection. The additional data (subsequent interviews and literature) inform and refine the developing theoretical analysis. Research on the experience of Slovak farmers and the land restitution process through personal interactions is pertinent because most of what has been written about Central European privatization focuses on high-level policy, a macroscopic view, lacking human form. This research attempted to gain a deeper understanding into the daily lives of citizens since the fall of communism and the start of the land privatization process. This research shows that there are multiple ways of experiencing the land restitution process and a variety of reasons for why people returned to the land.

## Thesis Organization

Chapter 1, *Introduction*, examines the challenges and opportunities brought about since Slovakia's declaration of independence in terms of establishing a land market, agricultural entrepreneurship and economic development. The research questions and the methodology for carrying out the study are outlined. Chapter 2, *Methodology and Literature*

*Review*, discusses the methodology and provides an expanded literature review, which entails a geographic and historical context. The reasons for selecting this study are also covered in Chapter 2. Chapter 3, *Results and Discussion,* consists of interviews from independent farmers and cooperative farmers. Their experiences are compared and contrasted. Chapter 4 is the conclusion. The emergent theory is identified and contrasted with that of the dominant modernization paradigm.

# CHAPTER 2. METHODOLOGY AND LITERATURE REVIEW

## Geographic and Demographic Orientation

The southwestern region of Slovakia between Bratislava and Nitra is considered the most productive, in terms of agronomic output. While Nitra has approximately 90,866 inhabitants, the surrounding area is quite rural (Šimeg and Smolinska, 1996). It is estimated that 87% of Slovakia's total land mass is rural. Only two Slovak regions are considered significantly urban: Bratislava and Kosice where 12.9% of the total population reside (Tvrdonova, 2000). Bartova (2000) reports that the average density in Slovakia is 109.6 people per square kilometer. She lists the population as 5,387,650 and the total land area as 49,040 square kilometers (Figure 1).


Figure 2.1. Map of Slovakia (source: www.cia.gov/cia/publications/ factbook/maps/lo-map.gif)

**Methodology**

Broad generalizations are not the intended outcome of this research. Rather, this study's research objectives seek to gain a deeper understanding into the attitudes, perceptions and values of Slovak farmers and their post-independence experiences with land use policy. This research best fits the qualitative paradigm based on the following five assumptions: (1) the ontological assumption - there are multiple realities based on individuals in the study; (2) the epistemological assumption – the researcher interacts with the subject being researched; (3) the axiological assumption – the study is value laden and biased; (4) the rhetorical assumption – inductive process, personal voice and accepted qualitative words; and (5) the methodological assumption – the design is emergent, and categories are identified during the research process. The type of qualitative theory used to conduct and analyze this research is constructivist grounded theory (as opposed to positivist grounded theory, whose strategies are rigid and prescriptive) (Charmaz, 2003). Using grounded theory methodology, the theory develops based on patterns and is accurate and reliable through verification (Creswell, 1994). The constructivist approach assumes the relativism of multiple social realities; both the interviewer and the interviewee create knowledge. Most importantly, the constructivist approach reaffirms studying people in their natural settings. Unlike the positivist approach, its strategies need not be rigid or prescriptive (Charmaz, 2003).

Grounded theory begins with a general situation and begs the question "What is happening here?" The researcher's role is to then understand the question and understand the roles of those involved in the situation through observation, conversation and interview (Dick, 2002). Charmaz (2003) explained, "The grounded theorist's analysis tells a story about people, social processes, and situations" (p. 271). Examining the modern Slovak

farmers and their land-use challenges are well suited for grounded theory because it is a general situation. The goal was to determine what is occurring in Slovakia regarding agricultural land use policy. The roles of Slovak farmers (associated with both independent and cooperative farming operations) are uncovered. Grounded theory enables the researcher to develop a theory by using multiple stages of data collection through constant comparison of data with emerging categories, and theoretical sampling of different groups of categories (Creswell, 1994). Grounded theory consists of six largely overlapping phases, which include data collection, note taking, coding, memoing, sorting, and writing. The typical unit of analysis is an individual; specifically the individual involved in the "situation".

Alternative types of problems often studied by using grounded theory include those associated with psychological and educational research (Creswell, 1994). Grounded theory is particularly useful in analyzing focus-group data in any branch of academia. Data are collected through observation, conversation and interview. Glaser (1978) cautioned against taking notes during an interview in favor of developing rapport. Rather, one should take key-word notes during the interview and convert them into themes afterwards. This is the note-taking phase. Charmaz (2003) also indicated that coding evolves from naturally occurring themes through constant comparison among interviews. Charmaz described the process as tentative categories that first emerge through the comparisons. The core category emerges with high frequency of mention and is connected to other emerging categories. Memoing continues simultaneously with data collection, note taking and coding. The researcher adds memos (personal reflections about the data being collected) that link the categories together. In this way, noted Charmaz (2003), the theory is revealed from the data. Sorting is completed based on relationship of categories and provides the basis for writing up the

findings. Charmaz (2003) documented that reviewed literature emerges in the writing, with equal weight to other collected data.

## Research Preparation

In preparation for my research, I reviewed many articles covering agro-economic progress, as well as the political, cultural and social history. I also met informally with individuals having conducted research in the Czech and Slovak areas, and those specializing in land restitution and rural development. I conducted interviews in the Slovak Republic for three months from September through November 2000.

Upon my arrival to the Slovak Republic in September of 2000, I was met by one of my Slovak friends of two years, named Dana. One week was spent living with her family in Southwestern Slovakia in order to orientate myself to Slovak culture and geography. I used Dana as an interpreter when necessary, and to organize an interview with a cooperative manager. I also sought her input, asking her about potentially sensitive topics prior to interviews. I encouraged Dana to communicate feelings or tone while she was interpreting because I wanted to know if the interviewee was becoming uncomfortable, angry or offended.

Dana and another student-translator, Henrietta, also helped coordinate interviews with Slovak farmers (both independent agricultural entrepreneurs, and managers of cooperative farms). I met with farmers in their homes, or at farmers markets. I interviewed them about their operation (size, production, and location). I also asked them to discuss how their farming operation had changed since 1991(the year of Slovakia's independence), and what sorts of challenges they faced. My data is derived from interviews with six independent

farmers and two cooperative farm managers. A total of five women and three men were interviewed. Field notes were recorded at each interview, including details pertaining to the atmosphere. Particular attention was paid to how the agricultural experience of each individual had changed since the start of land privatization and restitution, which occurred in 1991. Field data was collected from September through November 2000.

I intended to use both tape-recorded data, as well as field notes. However, despite several tests prior to arriving in the country and, again, prior to the first interview, the tape recorder, recorded poorly and incompletely recorded conversations. In addition, I noticed the interviewee was more relaxed in its absence. As a result, I conducted most interviews without the recorder, relying on field notes for data collection. Methodologically, this is the most appropriate way to record data using grounded theory. To support the interviews, documents were collected in the field with the help of Slovak Agriculture University faculty. They provided me with actual publications, helped me to set up meetings with a representative from the Ministry of Agriculture, which then provided further documentation. Additional documents were collected via the internet. I kept a diary of my meetings and travels while I was in Slovakia. A CD and Book titled *Slovakia for the World* was provided to me in country as a gift. They contained numerous visual images such as maps and charts concerning Slovakia's demographics and economics.

My Slovak host family, Slovak Agriculture University faculty and students, a Peace Corps volunteer and two local missionaries were utilized to make contacts and gain entry to the setting. Some meetings with informants were scheduled in advance, while those conducted at the farmers market were impromptu. At the beginning of each interview, participants were informed of their right to anonymity and I explained the purpose and scope

of the research. Additionally, I have used general areas to describe locations of farming operations so as not to jeopardize anonymity.

I expected most of the interviewees to be reserved or cautious of what they said during the interviews, since most lived through the communist era of censored opinion. I found to my surprise that a majority of those interviewed seemed quite comfortable, and willing to fully share their opinions. An exception to this would be one cooperative manager in Moijmirovce, who was somewhat guarded when asked for personal opinions on what the government could do to improve the situation on her farm.

## History of Land Ownership and Cooperation

In his book, *150 years of Slovak Co-operatives*, Martuliak (1995) provided a historical context for cooperative organizations in Slovakia. Originating in the 16$^{th}$ century, early cooperatives existed as guilds and fraternities. They used democratic principles in creating statutes. The elected head was called the guild-master, a "married and honest man" (Martuliak 1995, p. 17). Within the guild were masters, who addressed each other as brothers (wives were addressed as sisters). Journeymen were men that had completed apprenticeship; at the bottom of the hierarchy were the apprentices, who were young boys.

In 1844, Europe's first cooperative, "Food Cooperative of Honest Pioneers in Rochdale," was established in England. Its democratic principles included: "open membership (voluntary entrance and withdrawal), democratically controlled management, payments in cash, supporting education of members, political and religious neutrality" (Martuliak, 1995, p. 13). In less than two months, from its founding, the Rochdale principles were implemented in Slovakia. Samuel Jurkovic formed the first Slovak farmers union in

1845 (Martuliak, 1995). The union was based on four principles: voluntary entrance, self-help, mutuality and self-management (one member - one vote) (Martuliak, 1995). Since its inception, cooperatives organized around commodities, textiles and credit have become engrained in the Slovak culture.

Prior to 1918, the Czech and Slovak lands were independent regions, although influenced by Hapsburg rule for many centuries. Both countries promoted the development of co-operatives. In 1918, Tomás Masaryk founded the independent state of Czechoslovakia as a social democracy, but the two regions maintained a certain degree of autonomy. As reported in the Study Paper on the Benes decrees by the Vancouver Society (2001), the newly declared country, formerly part of the Austro-Hungarian dual monarchy, included land confiscated without compensation from ethnic German and Hungarian owners. German and Hungarian owners were not compensated for the land at the turn of the twentieth century, and unlike ethnic Slovaks, they would not be considered for compensation by the turn of the twenty-first century.

By 1927, there were a total of 1,672 cooperatives in the Slovak region alone (Martuliak, 1995). They included tradesmen, farmers, distilleries, commodity groups as well as treasuries and credit institutions. The number of cooperative members reached 310,000 people by 1928. At the beginning of the worldwide agrarian crisis of the 1930's nearly 57% of Slovakia's inhabitants were employed in agriculture. By 1937, there were more than 515,000 Slovaks registered as cooperative members. Since Slovakia is frequently compared to the Czech Republic in terms of current economic status and workforce development, the historical differences in workforce characteristics at this point in time should be considered. In 1930, only 25% of the Czech Republic's workforce was involved in agriculture. This is

even more surprising when one considers that the "Slovak Republic is recognized has having less arable land and a greater degree of land disintegration" (Martuliak, 1995 p. 81). It is significant to contrast the historical difference of industrial mix between the Slovak and Czech republics. While they have always been culturally and economically different, Slovakia has always been compared to the Czech Republic as if they were quite similar. The current land use plan for the Slovak Republic was generated out of Prague, and many Czech laws were automatically superimposed on the Slovak Republic after the split. The Czech and Slovak Republics should not be compared in terms of agriculture and economic development (Blaas 2001).

In 1938, the Czechoslovak president, Eduard Benes resigned from office and went into exile in Great Britain. Benes served as a consultant to the British and Soviet leadership, as Hitler ordered the German occupation of Bohemia and Moravia. These areas remained under rule of Nazi Germany until the end of WWII. In 1939, the Slovaks, with help from German troops under Hitler's leadership, declared independence from the Czech. As a result of the 1938 Vienna Arbitrary, over one million hectares (21% of total land) along the southern border was returned to Hungary. The succession of land reinforced Slovak ideals of cooperatives. Martuliak (1995) cited motivational speeches of the time, such as this in 1938 from Jan Ursiny, Chairman of Farmer's Mutual Treasures, which sought to capitalize on nationalism and promote the collectivization of farms:

> ...the farmer knows the magic and secret power of an idea of mutual help and support, The idea of cooperative help can become a suitable basis for gigantic construction of an establishment of our united, all national, cooperative of the Slovak State. (Martuliak, 1995 p. 90)

The political leadership controlled by the Slovak Populist Party then aligned with Germany against Russia. During this time the Slovak cooperatives remained strong, not only to better their own situation during WWII, but also to provide assistance to refugees from German Captivity Camps, and the politically persecuted. They proved key in the anti-facist resistance, also known as the Slovak National Uprising (Martuliak, 1995).

This first Slovak Republic was autonomous until 1945, when the former President Benes regained power and declared the new Czechoslovak agenda from Kosice. The agenda included reclamation of German and Hungarian held land:

> Immediately after the proclamation of the Kosice program, the German and Hungarian population living in the reborn Czechoslovak state was subjected to various forms of persecution, including: expulsions, deportations, internments, peoples courts procedures, citizenship revocations, property confiscation, condemnation to forced labour camps, involuntary changes of nationality, referred to as 'reslovakization,' and the appointment of plenipotentiary government managers to German and Hungarian owned businesses and companies. (Vancouver Society, 2001, p. 3)

From 1945-1947, land was confiscated from big estates and redistributed in smaller holdings. German and Austrians living in the borderlands were extricated to their countries of origin, though they had lived in the region for generations. Throughout this redistribution process the country maintained a free market economy until collectivization in the late 1940's.

Freely elected, Klement Gottwald became president of Czechoslovakia in 1948. Under his leadership, all landowners were "encouraged" to put their property in collective farms. Many people freely incorporated their land, livestock, equipment, and buildings into a collective and then worked it as an employee; their contributions documented in land registers. Individuals who chose to do this technically remained owners of the land, but had no use rights (Reiner and Strong, 1995). Others struggled against collectivization in an effort

to maintain their autonomy. However, in most cases, despite their efforts, their property was eventually seized and incorporated into a state farm. Additionally, those whose land was confiscated (large landowners, ethnic Hungarians, and anyone that cooperated with the Germans during WWII) found their names cancelled out of the land register (personal communication with Bandlerova, 2000). This land would now be state owned and farmed. With few exceptions, farmland, buildings and equipment were all collectivized between 1948 and 1950. These actions marked the start of the socialist era - an era that lasted 40 years (Martuliak, 1995).

The small landowners that were collectivized would elect a director and, in theory, be self-supporting. The state farms were managed by a state appointed director and were supported by the state. The difference between state and collective farms was only by law, rather than in reality (personal communicataion with Bandlerova, 2000). In the beginning a local farmer managed the collective. Eventually he was replaced and an outside expert was brought in to be manager. This "expert" collective farm manager was usually someone with political influence. Once the expert manager was introduced, the collective was managed in a fashion similar to the way a state farm was managed; "production quotas were put in place, as were government subsidies" (personal communication with Bandlerova, 2000).

The collective method of farming that was introduced not only altered Slovakia's historical ties to the land, and created unrealistic production quotas, it was designed to discourage members from speaking out politically (Martuliak, 1995). To discourage resistance, collective members were sometimes singled out, accused of hiding assets, or stealing. Such allegations led to imprisonment. The families of the imprisoned were then excommunicated from the village. An excerpt from the letter and narration of Anna

Chabadova as sited by Martuliak (1995), *Bitter Memories of my Youth (1952-1954)*, she describes her family's experience:

> The years of my youth were influenced by the process of collectivization in my native village of Ocova. My father entered the local co-operative as one of the first farmers. However, this turned against him in 1952. The co-operative was not prosperous and the leading representatives needed to specify the reason for this failure. They decided that the prosperity of the co-op was hindered by the village richmen - 'kulaks', and it was necessary to get rid of them for good. My father was brought up in modest conditions, in a single parent family. He was never involved in politics, and his name was very respected by all the people in the village. The co-op representatives accused him of not delivering the obligatory amount of eggs, and of land concealment. At that time, I was only 14 and could not understand the political motives of this situation.
>
> ...My father was taken to the police station in Ocova, and then to Zvolen. A month later, the verdict was announced: found guilty of sabotage... he was sentenced to four years of prison and the penalty of 50,000 Kcs... My father did not consider himself guilty and sent his appeal to the Regional Court in Banksa Bystrica... The court sentenced him to six years and other penalties...The bad news arrived in December: My mother was asked to come to the city council in Ocova... She was given a top secret letter... It explained the new decision on the re-settlement of my father's relatives to Junratice, in the North of Bohemia... There were three more families in Ocova sent away... (pp. 156-157)

In 1968, an uprising led by Alexander Dubcek, although stifled by Soviet occupation, led to the Charter 77 movement (Kirschbaum, 1995). The movement monitored political events, and included philosopher and playwright Václav Havel. Most of the Slovak citizenry continued to avoid political discourse or even voice opinions in their homes. Anna Bandlerova, a vibrant, middle-age woman, of Hungarian decent, holds a law degree and practices environmental law. She also teaches courses on land restitution and is the present Vice-Rector of Slovak Agriculture University, and the holder of restituted land value papers. During an interview she reflected on socialist times.

> When my son was young, he repeated a political joke at school that he had overheard me and my husband laughing at. One day, my Son's teacher phoned to say that the boy had told the joke to the entire class. Since it was a joke about the current government, the teacher was afraid that it would bring grief to my husband and me. Later that night I told my son, "You must never repeat the things you hear in our house. Mommy and Daddy might have to go to jail." My son's teacher phoned a day later to say, "Your son said the funniest thing today. He said that he heard a really funny joke... but could not repeat it because his parents would go to jail." (personal communication with Bandlerova, 2000)

November and December 1989 marked the revolution in Czechoslovakia. It is known as "The Velvet Revolution" because of its peaceful transition from communism to democracy. Widespread strikes and civil disobedience led to the resignation of Communist officials. Three years later, Czechoslovakia underwent the "Velvet Divorce," peacefully dividing Czechoslovakia into the Czech and Slovak Republics.

**Land reform**

Land reform began immediately after the Velvet Revolution in 1989 and continued on after the Velvet Divorce in 1991. In her research for the World Bank, Blaas (2002) explained that the legal basis for land reform was created after the 1989 Velvet Revolution. Democracy mandated privatization of state owned farms, and the transformation of collective farms to cooperative farms. In the new cooperative farms assets were reallocated among members and former land and property owners. The right to use land, the refurbishment of landed property registers, and the transformation of cooperatives are three 'distinguishable' issues associated with the assessment of land reform. Blaas (2001) indicated that initial restitution dealt with title to land and did not ensure use of the land. Blaas explained that legal provisions favored the current collective use of the land.

**Restitution and privatization**

Remarkably, the "Velvet Divorce" yielded no economic hardships in the Czech Republic. Hraba et al. (1999) found that unemployment remained low, inflation slowed and real wages continued to grow. The authors also noted that the Czech Republic had no hesitations in privatizing land from the beginning. Agricultural land ownership increased from 3,000 individuals in 1990 to over 52,000 individuals in 1993. The majority of restitution claims in the Czech Republic were settled by the year 1998. The exceptions were confined to Prague, where Jewish communal land was confiscated, and the borderlands where past owners (extricated Austrians and Germans) no longer have citizenship (Hraba et al., 1999).

Comparatively, the break-up of Czechoslovakia resulted in greater uncertainty for the Slovak Republic. The Czech Republic retained a majority of the industry and provided services for neighboring Germany and Austria. The Slovak Republic, in contrast, had greater unemployment and access to fewer markets. As general economic conditions worsened, there was migration to the countryside during transition (European Commission, 1998). Agriculture played the role of buffer, allowing people to live off their plots of land in their home villages and supplement other income sources such as retirement pensions (European Commission Directorate General for Agriculture DG VI Working Document, 1998).

During the transition from communism to democracy, and while still part of Czechoslovakia, every cooperative was required to develop a transformation program approved by at least half of the members. This transformation plan, which needed to be completed by January 1990, was directed from Prague as a push towards privatization. If a program was not completed or approved, the farm would be sold by auction. The plan

needed to identify the cooperative's legal structure (i.e., Limited liability or joint stock corporation) assets, liabilities and owners (personal communication with Cjaiko Cooperative Manager, 2000). However, every collective farm in the Slovak Republic was transformed into a private farming cooperative (personal communication with Bandlerova, 2000).

During the 50-year period of socialism from 1938 to 1988, no rent reimbursement was paid to the original landowners for use of the land. Some of the original landowners worked at the collective farms, however many of them left farming all together. Additionally, children of collective farm workers, or former farmers often chose careers outside of agriculture. As a result, when the land restitution and privatization process started in the Slovak Republic, there were few heirs with knowledge or interest in agriculture to farm the land. This was either not taken into consideration when the first land act was passed, or done deliberately to place cooperative farms at an advantage as few heirs ended up taking their land from cooperatives.

Additionally Hungarian inheritance laws were kept in place (personal communication with Bandlerova, 2000). Hungarian inheritance laws during the pre-1918 Austro-Hungarian Empire stated that all children are to inherit the land of their parents equally. This resulted in land disintegration; plots so small that their value was perceived to be nil. Additionally, these fragmented pieces were often in the middle of large cooperatives. No access or easements were given to restituted landowners, because restitution dealt solely with ownership, rather than access to land. With no access to their property, landowners had little interest in it. In addition, existing registration maps and land registrations were often lost or badly damaged. These records were held with local officials and some circumstances of lost or damaged registration maps reflected political conspiracies – in the case of fascist

sympathizers and ethnic Hungarians. All of these factors resulted in landowners not being able to use their land properly. This, in turn, delayed the process of privatization and restitution, thus hindering the development of the land market, and negatively impacting economic growth (Bandlerova 2000).

Blaas (2002) reported that as of the year 2000, 121,000 hectares of farmland and 72,553 hectares of forestland within Slovakia had been restituted to individuals. Property associations received 76,000 hectares and churches received 39,000 hectares. Neither ethnic Hungarians, nor those individuals that cooperated with Nazi Germany during WWII were considered for restitution. This policy is under scrutiny as the Slovak Republic prepares for its 2004 entrance to the European Union (Vancouver Society, 2003).

If a Slovak citizen was interested in claiming an entitled piece of agricultural land, they had to first register with their local municipal government as a farmer. For this reason there are approximately 17,000 registered farmers; of which many farm only on paper. (personal communication with Bandlerova, 2000). Once a landowner registered as a farmer, it was possible to claim rightful land. However, there were often social and political hurdles in addition to the already mentioned issue of physical access. Owners of restituted land often had to take cooperatives to court in order to gain possession of their land (personal communication with Bandlerova, 2000). This process could last a decade before being resolved. The cooperatives did not pay rent for the use of the land during this time (personal communication with Bandlerova, 2000).

There were also social challenges many Slovaks faced when deciding to withdraw restituted resources. Since cooperatives were often the main source of jobs in villages, becoming an independent farmer was often seen as a selfish act to destroy the community.

Those deciding to become independent were blamed for any short falls the cooperative and community faced. They were the scapegoats for the lack of prosperity felt by the cooperative and community members. During socialism the agriculture sector had one of the most comfortable standards of living. Since restitution the entire economy has been depressed. The level of comfort many Slovaks were accustomed to has become difficult to achieve.

**Value papers**

In 1992, the transformation act privatizing coops was passed (Blaas, 2001). It allowed landowners a choice to: (1) register as farmers and farm the land, or (2) be bought out with cash by the cooperative after seven years (Blaas, 2001). This act was amended in 1996 so that cooperatives would not have to give up land and provide a cash payment (Blaas, 2001). The new act allowed for equity shares, also called value papers, to be distributed among coop members, absentee owners, and the heirs of those original coop contributors. Absentee owners were original landowners that left the cooperative to pursue other jobs. The heirs of original coop contributors included the families of deceased former coop members that contributed livestock, machinery, buildings or land. Blaas (2001) explained how the equity shares were calculated: first totaling all of the cooperatives assets and dividing them according to the 50:30:20 rule. Blaas clarified in further detail that original landowners received equity shares equal to 50% of the cooperative's total assets; those contributing assets other than land (livestock, buildings and equipment) at the time of collectivization received equity shares worth 30% of the cooperative's total assets; those cooperative members that had contributed their labor received equity shares totaling 20% of the cooperative's total assets.

## Cooperative Farming Today: 1991-2000

Those with land, who wished to remain members of the cooperative, would turn their value papers over to the cooperative. They would now be voting members of the cooperative if they had been previously employed by the cooperative. If they had not been previously employed by the cooperative, they would be silent members, eligible only for "profit sharing" (personal communication with Bandlerova). Those wishing to cash-out and sell their value papers to the cooperative could, but in most cases cooperatives were already consumed with the debt that they inherited at the time of privatization. Because they had a great deal of trouble maintaining cash flow, they could not pay market value for the papers. Only 1.4% of those eligible turned in their value papers to request withdrawal of their shares (Blaas, 2001). Instead, many landowners have kept their value papers and continue to rent their land to cooperatives.

### Land value and leasing

The leasing of land began upon the passage of the first Land Transformation Act in 1992. The act specifies that landowners can enter into short-term leases (one to five years), or long-term leases (five to ten years). This act also regulates the rights and duties of the farmer and the landowner, stipulating stewardship and supervisory visits from ecological organizations (personal communication with Bandlerova, 2000).

In an interview on the privatization process, Bandlerova (2000) described short-term and long-term leases. She explained that short-term leases can be made verbally. She explained that long-term leases require written contracts and must include: (1) the monetary amount of the lease payment; (2) the purpose of the lease; (3) the frequency of payment; and

(4) the monetary value of the land. The landowner will be responsible for taxes regardless of whether or not the land is leased. Bandlerova explained that a contract is binding only when all of the lease guidelines are met. It is most advantageous to rent land if individuals are interested in forming an agricultural enterprise, or expanding their current agriculture enterprise. In this way, they do not pay property tax and are not required to go into debt to purchase land on credit. Financing land purchased on credit also requires past credit and collateral that most people do not have. This is also financially risky given the current rate of inflation and interest rate.

While the law outlines rent requirements, the reality in the cash-poor economy of Slovakia is that an informal payment system exists. A cooperative might pay for the use of land with grain or meat. In addition, a family farmer might trade seed for the use of a tractor. Landowners and farmers willingly agree to these forms of reimbursement because, quite simply, something is better than nothing. These informal payment transactions may work fine for people not relying on cash payments, but they represent the main hitch in the Slovak economic engine; there is no cash flow for goods and services. This problem is only magnified by the State's role in business. The State is neither reliable about paying subsidies, nor paying their share of commodities purchased through privatized processors, of which the state is often primary share holder. This phenomenon exists throughout every sector from energy to cereal grains.

**Land use policy**

The Land-Use Planning and Building Order Act, was first created in 1976 and was last updated July 2, 1997 (National Council of the Slovak Republic, 1997). It contains

legislated planning guidelines. The document accounts for both technical guidelines related to infrastructure and building codes, as well as social and environmental considerations. The original document was titled "The Land-use Planning and Building Act" and mandated land use planning documentation at the state, regional, settlement and zone areas (National Council of the Slovak Republic, 1997). Documentation and oversight was to happen centrally at the state and regional level. The act was amended in 1990, 1992, 1995 and 1997, though it did not change significantly in terms of planning administration (National Council of the Slovak Republic, 1997). In 1999 the act was again amended, this time addressing the need for decentralized planning. The act gave regional territories the authority to regulate spatial arrangements and functional uses; determine sanitation requirements; protect objects, rest areas and environmentally sensitive areas; define principles, materials and time coordination of local construction; evaluate buildings for environmentally sound and safe use; and regulate the location of construction, and define technical, urban planning, as well as architectural and environmental requirements (National Council of the Slovak Republic, 1997).

The newly amended Building Order Act (National Council of the Slovak Republic, 1997) also stipulates that territorial planning be "carried out according to the newest knowledge of social, natural and technical sciences..." (p. 1). This suggests that at a larger, political level there is an understanding of the important and dynamic relationship between the technical act of planning and its ramifications on people and the environment. These concepts are present throughout the latest amendment. The act even goes so far as to consider national, social, economic, environmental and cultural requirements in spatial planning.

## Rationale for the Study

Bruce Lansdale has worked to train "master farmers who combine practical and theoretical knowledge of agriculture" (Lansdale, 1986). The American Farm School in Thessaloniki, Greece, holds faith in the capacity of peasants to solve their own problems in order to accelerate the agricultural development process (Lansdale, 1986). By becoming master farmers, peasants take stake in their future. Lansdale and associates of the American Farm School promoted the important role individual agriculturalists have in rural development, and how their voices are important to the process.

Through my formal education (earning a Bachelor of Science degree in Agricultural Education) and international experiences I have witnessed many challenges to land markets, rural development and agricultural entrepreneurship in general. My encounters with those involved in agriculture (farm owners, farm laborers, educators, and rural development experts) reveal a common solidarity, positive energy, and ambitious outlook to the future. I too subscribe to their passion for agriculture and belief that it holds the key not only for rural prosperity, but also for the global community's social, environmental, cultural and economic health. Central to agriculture is the relationship between farmer and the land; the matrimony threatened by historical, social, economic and political factors. Land use policy is a mediator. Though influenced by the same factors, it has the ability to facilitate the relationship equitably and justly, or make it largely ineffective.

My interest in Slovakia stems from family ties to the area, an interest in land restitution, and rural development. Given recent changes as discussed in Chapter 1, it is ripe with land use policy challenges that attempt to mediate the marriage between agriculture and land ownership. I chose to work out of the Nitra area in southwestern Slovakia because of

personal friendships with Slovak Agriculture University (SAU) students, and previous collaborations between SAU and Iowa State University provided resources in terms of housing and research support.

## Summary

This chapter provided a geographic and demographic description of the Slovak Republic; a country very rural in nature. It also described grounded research methodology, an emergent qualitative paradigm based on the coding of common interview characteristics. A recent historical context, spanning approximately 200 years, has been provided. The context demonstrates Slovaks' connection to agriculture and culture of cooperation. Basic land use policies and definitions were also described. Chapter 3 looks at the implications of these policies from the Slovak farmer's standpoint. Interviews with small, family farmers and cooperative managers will demonstrate the reality of Slovak land use policies and the current economic situation among those involved in agriculture.

# CHAPTER 3. RESULTS AND DISCUSSION

## Independent Farmers

This chapter provides insight into the lives of individuals involved in the Slovak agriculture sector. First, two agricultural entrepreneurs are interviewed. They demonstrate the small farmer's ability to create and utilize niche markets. Second, a series of interviews at the Nitra farmers' market reveal the diversity of operations and motivations among small producers. Finally, two cooperative managers are interviewed for contrast. Similarities among farmers are then discussed. Focusing on a small number of people provided more depth than would a quantitative analysis of the rural situation in Slovakia. Data was gathered through triangulation; talking with, living among and observing Slovak farmers. Consistent with grounded theory, no hypothesis was developed prior to the interviews, rather the emergent theory was reached as a result of data gathered.

There were three initial research objectives. The first objective was to gain an understanding of: Who are Slovakia's modern agricultural entrepreneurs? What do they look like (in terms of age and gender)? The second objective was to determine why farmers decided to start or remain in the agriculture industry. Worldwide profit margins are slim in agriculture, and the success of a farmer depends on many variables outside of her control such as precipitation, pests, and sunshine. Why would someone take a risk (either socially or economically) to participate in such an uncertain and often physically demanding livelihood? The last objective was to explore the challenges faced by agricultural entrepreneurs as a result of restitution and land privatization. Was the process simple and easy, or was it difficult to navigate the bureaucracy? The following interviews help answer these questions.

Josef first tells about his family's experiences with leaving the cooperative in which they belonged for many years in order to start farming independently. His family's operation is considered an independent farm because it has between 1 and 999 ha. Stano then explains his experience with restitution and his own desire to become an entrepreneur. His operation is technically considered a household farm – because he operates on only .5 ha. Then a group of women from the farmers market, diverse in age and the amount of land owned, describe their experiences. Lastly, two cooperative farm managers voice their concerns while describing their farm operations.

**Josef**

In the cozy flat of Ron and Mary Ann, two missionaries from Rochester, Illinois, I met with Josef. Josef was a handsome young man in his late twenties with dark hair and eyes and a kind smile. He was soft spoken and polite. He met the missionaries through an English club that Ron and Mary Ann arranged. Josef seemed confident and comfortable talking in English about his family's experience with the land restitution process and the current land policies. I asked him first about his farm and the commodities he produces. He started with a clarification,

*"I do not spend most of my time on the farm. There is not enough income to support my parents and my brother's family, and me. For this reason, I am working part time for the church."*

Josef told me about his family's farming operation. They produce pigs, vegetables (onions, cabbage, potatoes, carrots, celery, and dry beans) and small grains (wheat, barley, and corn). They grow potatoes on five hectares, cabbage on two hectares, corn on three hectares, carrots on one hectare, and dry beans on three hectares. Potatoes are rotated every

two years to follow cabbage or corn. The other crops are filled in where the family sees fit. It was Josef's idea to grow dry beans. He knew that the nitrogen produced from the legume's roots would help the soil quality and reduce some of their fertilizer input requirements. It would also be a niche market from which his family could profit. His father was skeptical at first, but Joseph explains that it has proven to be a good investment. They will try to expand this niche market in the years to come. The land is scattered and each area has a different quality of soil making it challenging to implement a more sustainable rotation. Josef notes that it would be helpful to have five more hectares, but it is difficult to secure both adjacent land, as well as financing.

I asked Josef about how his family's operation has changed since 1991. He explained, *"My parents had worked for a cooperative. They decided to quit and start farming independently."* His family received land, animals and equipment during restitution. They sold the animals and equipment, and then with money that they gained from the sale of land to the state's nuclear power plant, they invested in a John Deere tractor. Josef justified the tractor purchase, *"My father was given a Russian tractor [as part of restitution], but it was not efficient... It leaked a lot of fuel..."* This move was very strategic, as a report by the European Commission (1998) indicates that "Input prices such as those for energy and fertilizer tended to move to world market levels, while agricultural output prices tended to stagnate or rise much less in the face of falling demand."

The farm employs his mother and father, former cooperative members, as well as brother full time. His father had five siblings that also received land from restitution. One brother lives in Canada and rents his land to Josef's family. Two sisters rent land to other farmers. When his family decided to reclaim land, it was a tense time in Josef's community.

The cooperative in his town of Levice was part of a Jednota, or universal cooperative that was fully integrated, processing goods from field to table. The Jednota was divided into smaller cooperatives throughout several villages. When land, property and livestock were claimed from cooperatives, it reduced resources and challenged the cooperative's profitability. Small cooperatives were often the primary source of employment for many small villages. When cooperatives failed the independent landowners were often resented. Such is the case of Josef's parents; two former cooperative members who have survived as independent farmers, while the cooperative failed. As a result, resentment from people in the village increased. Leaving the economically troubled cooperative where they had worked all their lives (knowing that such a decision may be a catalyst for failure) was a difficult decision for his parents to make. The social and financial risks they took were weighed against their desire to farm independently.

Even as independent farmers, their business decisions have been restricted as a result of local politics. They recently considered expanding their operation to include a hog confinement. The community petitioned against it after it was approved by the locality. Even though they could have legally continued, Josef's family decided not to disrupt the community. Josef shrugged, *"The market is not good for hogs now anyway."*

Josef explained the history of farm management and agricultural practices. *"Before the 1970s, when farms got big, managers [of cooperatives] were former farm owners. When farms got big 'experts' came in; often politically active [people] in the communist party."*

Just before 1992, a large dairy cooperative was created. It was not managed well, and not sustainable under market economy conditions. To have working capital, the cooperative sold most of its cattle. This was a common problem, Josef explained, *"Everyone needed*

*capital and sold their livestock. As a result, not only was there not enough livestock to export, but there was not enough for domestic use either."*

One of the most tragic problems with Slovakia's economy is its intermittent cash flow. At all levels and sectors, cash payments for goods and services are few and far between. With the government still the primary shareholder in many formerly state-run enterprises (energy and processing to name two), its unreliable payment schedule seems to intensify problems for farmers resulting in a chain reaction of economic uncertainty throughout all industries. Josef explained how his family is affected:

> *When we sell crops, it takes years to get money. We do not have money to buy fertilizer or seed. We know these guys that sell seed and fertilizer... They know we will pay them when we can, but they need money too – to buy more seed and fertilizer, pay bills, pay their workers and feed their families... we could sell to the state or private firms, it does not matter – no one has money right away*

If Josef's family sells goods to a private firm (often a private firm with the state being the primary shareholder) that processes goods the state purchases, they may not see a payment for up to a year. When the state does not pay for those processed goods, the private firms cannot pay for the commodities purchased from Josef. The chain of misfortune continues and producers like Josef's family are faced with the challenge of paying their workers, or paying themselves. As a result a barter system exists. Josef's family trades small grain and corn to a potato seed producer.

This informal system also exists for those holding value papers for restituted land. While cooperatives are required to pay rent, they too have the same cash flow problems, independent farmers have. They often make payments of meat, produce or grain to those

they owe rent. Rent or payment is informal and seldom monetary. Usually beef, pork, or grain was offered as payment.

During a discussion with university students, several young Slovaks provided examples of their own. Suszka, a student from Zlaty Moravce, Suszka explained, *"My family receives grain [annually] for our chickens, in exchange for the cooperative's use of our five hectares of land."* Alice, a student from Cjaiko, told of her mother-in-law receiving a side of beef every year. The mother-in-law shared with her children's families. The annual side of beef is for use of 25 hectares of land.

**Stano, Rabbit Rancher**

I met Stano through Josef. The two grew-up in the same area and attend the church that hosts Ron and Mary Ann. It was hearing Stano talk about his operation, with such pride and enthusiasm about his innovations that made me really feel there was hope for the future of these independent farmers. In his mid-thirties, Stano, a father of three, told me about how he switched careers at the start of restitution. Stano spoke little English, so Josef translated. Stano explained with a smile:

> *As a kid, I had always raised rabbits to eat. I like them...after restitution, the future of the engineering plant where I was working was uncertain. In 1991, I attended an Italian Conference on rabbit [markets]. At the conference I learned the latest advances in rabbit health, nutrition, breeding as well as marketing... I met with other people [producers and buyers] and was certified to artificially inseminate rabbits.*

Stano received a small parcel of land and a building through restitution. To get started he received 50% of the capital he needed from a loan and 50% from government support. He started with 150 does. His operation was in the Levice area, a short distance from a rabbit buyer and processor in Nitra. The biggest challenge that he faced was not

having quality food. *"During communism there were many companies producing pellets, but rabbit pellets are now only 57% of their production. The only company making pelletized rabbit food does not have good quality control practices.* Stano explained that their primary business is feed pellets for big swine producers, *"...they use bad quality, dusty pellets to feed pigs."* He explained that dusty pellets severely affect rabbit health, *"Rabbits breathe in the dust when they are eating and get respiratory problems."*

Since rabbit production was relatively undeveloped (many people raised rabbits for their own consumption in Slovakia, feeding them corn or kitchen and garden scraps), Stano had little support when it came to lobbying for high-quality pellets. Additionally, the common person's knowledge about the nutritional needs of rabbits was limited. As if these challenges were not enough, the Nitra processing plant went bankrupt in 1995. Stano was now faced with two challenges: finding quality feed to raise rabbits and new markets.

Stano decided that he would drive throughout Central Europe, developing initial contacts he had made in France. He developed his own live rabbit markets in Germany, the Czech Republic, Austria and Hungary. Realizing that he had a greater demand than he had supply for, he went out to the villages contracting with small producers. *"I founded an organization that would unite all rabbit farms."* Stano pointed out as we were sitting in his home, *"I am the one buying and selling rabbits. Even today [on Sunday] there is one [man driving around the country] buying rabbits to sell live."*

Selling live rabbits for export is more lucrative for Stano than was the local processing market. Through his own ambitious creation of a live rabbit market; Stano has developed economic opportunities for other Slovaks as well. There are more producers now

than when Stano started out. While there are many that produce less than 50 head per year as a hobby, rabbit farms can range in size from 100-2,500 head. The average size is 250 head.

While the market issue was solved, there is still the issue of quality feed. Stano explained his hopeful solution, *"I have a project for processing pellets, and I am looking for an investor in the USA. In the fall of 2000 one man from Bratislava will go to Naperville, IL for contacts."* The investor that Stano is hopeful of is actually a church promoting small business development projects like Stano's pellet operation. His plan is to convert a tractor engine into a pellet maker. He explained that the pellet maker needs a strange engine, but a tractor engine is comparable. This is only one example of how Stano uses his resources efficiently.

He has been able to add value to several other aspects of his rabbit operation. The manure from the rabbits is composted with red worms. The composted manure is sold to flower producers. He is not the only Slovak rabbit producer using composted manure to improve his profitability, "I visited a farm in Trnava that had 150 rabbits. That farmer sells the special soil by the liter [to growers]. Stano also uses rotweiler dogs to guard his rabbits. He breeds the pair that he has and sells the offspring. Additionally, when rabbits die from natural causes, he feeds the remains to the dogs.

While countries like Hungary offer subsidies for rabbit production, Stano's success has been independent of such support. He does believe that subsidies would encourage Slovak rabbit farmers to extend their operations and export. Additionally, he remembered, *"In the past the government encouraged good rabbit genetics and provided a small bonus for good breeding stock."* He believed if such subsidies were offered, it would be beneficial for the current situation.

**Farmers at the Nitra Market**

On a warm October afternoon, I walked down a main street in Nitra with my interpreter Dana. We were headed to the city farmer's market. It was near the bus station and surrounded by white concrete walls, and abutting buildings. As we turned to walk into the Farmer's market, I paused to remind her of our operating procedure and make sure she was comfortable.

> *I don't want the farmers to feel threatened in any way. Be sure to tell them that they will be anonymous. They do not have to answer any questions they are not comfortable about, and let me know if it sounds like they are getting angry or annoyed... If they have a customer, we will plan to step aside until they are free.*

We entered the market and made our way through the clothes, shoes and flower stands. Each vendor has a designated, green, metal stall. There were candles and beautiful floral arrangements intended to decorate gravesites for the fast approaching All Saints Day. Even this late in the season, the produce section offered everything found in a grocery store; pineapples, bananas, kiwi, apples, grapes, tomatoes, cabbage, potatoes, onions, garlic, etc.

We stopped at the first stand. The young woman working was more than happy to talk to us about her business. We called her Helena. Her family started the business less than 10 years ago:

> *Four people in my family work to grow and sell vegetables about 20 km from Nitra. My mother grew vegetables and started [the business]. We grow carrots and parsnips on approximately 1 acre [of land] we own... Last year was a bad growing season, so we started importing from China. We will stop growing after this year because [it's] not worth it – prices too low. We will only sell imported food.*

The next two ladies we talked to had adjoining stalls, though it was clear that they were two separate entrepreneurs. They noticed us interviewing Helena and their curiosity

was peaked. We ended up interviewing them at the same time, going back and forth as they paused to take care of customers. Olga had white hair, swept up into a loose bun, and a table full of beautiful yellow and green peppers. Luba had short salt and pepper hair and glasses. Her table had both sweet and spicy peppers in shades of red, orange and green. Olga started by describing her operation, *"I own less than a hectare. I have been farming for 18 years... I grow peppers and cabbage and have some livestock... I have no problems or experience with land restitution."*

Luba described her situation:

> *I own land and have farmed for over 20 years... Seven people [on the farm]... We grow grain for pigs, ducks, and rabbits. We also grow vegetables... My father had never entered the cooperative. He kept his land. Once he started to grow barley, and the cooperative wanted to take the land. Father would not give it, so they took all of our barley crop... After restitution every child [received] three hectares.*

I bought peppers from both Olga and Luba, and continued through the farmers market. Along the back wall was a middle-aged woman with darker complexion, Martina. She offered potatoes, carrots, and onions. We stopped and asked her if we could talk to her about her farm and land restitution. Following is what she told us:

> *Eight years ago, I started farming because my brother-in law is a farmer, and I was unemployed – too many unemployed people go to farming. After restitution, we got a barn and 25 hectares of land... [Now] we rent and own land. My husband and I produce crops and animals. Eight to ten people help at the harvest.*

Martina talked about the challenges of being a farmer.

> *This year was too good of a year for tomatoes – last year 12 sk/kilo – this year 4 sk//kilo... each farmer's income depends on their management... How much water is used [determines] how nice of a product, and how much money you can sell it for... input prices are too high, and commodity prices are too low...*

Martina also talked about the frustrating tax structure, how it is based on output potential and not real-value. Her land has high taxes based on this policy.

I bought some potatoes from her and thanked her for her time. Dana and I moved towards a stand operated by a man and a woman. Most of the vendors in the market were women, so the presence of the man was particularly notable. Miroslavka and Brano were busy selling vine-ripened tomatoes.

Brano was available first and agreed to talk to us, though his answers were short. *"We bought a house and land with it. We have no [restituted] land or animals. We grow potatoes on [1/3 acre], and everything else in a greenhouse."*

Miroslavka was also available, and added with a gracious smile, *"We started [growing vegetables] ten years ago. We thought it was an easy way to start earning money. Only the two of us produce vegetables."* She turned to help another customer. We waited, and then thanking them for their time, purchased some lovely vine-ripened tomatoes and departed the market.

## Cooperative Farmers

### Miroslav, Cjaiko Cooperative Manager

In a small village near the Levice province of Slovakia, a cooperative manager, Miroslav told me about how his operation has changed since 1992. It was a Sunday evening. We were sitting in his home accompanied by his brother and my translator. His wife was present, although she was preparing refreshments: hearty Slovak bread sliced and buttered, topped with ham, cheese and sweet pepper. Because they were excellent hosts, obligatory shots of cognac were set out around the coffee table at which we sat.

Miroslav, in his late 40s, was in a good mood today, I was told. His brother explained in English, *"The situation is not good. My brother gets very upset when he talks about agriculture."* He then added, *"Today [the village] soccer team won, so he is in a better mood."* Miroslav coached the village soccer team, which plays other villages from all over the country every Sunday afternoon, a nice diversion in these economically uncertain days.

Before 1989, as a collective farm, they had 3600 hectares. At this time the cooperative was part of larger organization that included Rybnik, Podluzany, and Kosihy—all small villages in the area. The cooperative was decentralized: Caijko had grain cleaning and storing facilities, and Kosihy had harvesting equipment. In 1992, they broke up and now Cjaiko was the only cooperative that was still working, largely because they had the best physical infrastructure.

At the start of 1990, the collective took out a loan in the amount of 20,000 SK (approximately 4,000 USD) in order to build [storage] centers at each of the villages. Since they were still one organization, the debt was shared based on size of land and buildings. When the collective agreed to change its structure to a cooperative farm, a new firm was created. As a limited liability corporation they were able to eliminate the debt that was acquired creating the storage center. This was important since the state developed new subsidy requirements for cooperatives stipulating only cooperatives without existing debt were eligible for subsidy. The amount of subsidy was 17-22% of production cost for Slovak farmers. Miroslav frowned at this when he explained that farmers in the European Union were subsidized up to 40% of their production costs. Profit margins for farmers in Slovakia were extremely thin, for this reason Miroslav believed, *"It is economically better to have*

*cooperative farms to share debt and production costs. Slovakia would be better off if [there were] larger farms, because machines are too expensive and the state subsidy is not enough...in 1993 the government gave subsidies to farmers to buy equipment, but now they do not,"* he explained.

At the start of the restitution process in 1991, the cooperative had 740 hectares. Some people decided to take their land back entirely. Others had kept their value papers and were now paid rent. The total area of farmland that Miroslav currently manages is 370 hectares. He also managed 500-600 Slovak White pigs on a farrow-to-finish operation. He explained that when the harvest is bad, the landowners that he rents from will only get half of the rent until the following year. The cash rent is 1100 SK per hectare ($22 USD) for the land that he rents on a five-year contract. The cooperative produces wheat, corn, and rapeseed, and there is also a vineyard.

**Klara, Deputy of Agronomics at Moijmirovce Cooperative**

Klara has worked as Deputy of Agronomics at the Moijmirovce Cooperative for the past 23 years. The village of Moijmirovce was about 20 minutes from Nitra. It consisted of the cooperative, residential dwellings and a church. She described the transition from collective to cooperative and farming operations:

> *Cooperatives became separate of the state economy after 1989 – not part of socialism or capitalism... After 1989 Cooperatives had to keep little money and not make profits... This cooperative employs 230 people yearly – more in summer – too many in winter. 2000 people have ownership in the cooperative, and 700 people have voting rights. Most of the people in the village work for the cooperative and influence its operations. They are also members of local government, so they have local influence as well.*

She laughed when asked if there are any political challenges, and said *"None!"*

Klara continued to describe the cooperative's endeavors:

> *There are 46 [farming] activities – too many – we are trying to make fewer activities. Before 1989 the cooperative was 4,200 ha, now it is about 3,600 ha... the cooperative grows 1000 ha of winter wheat [on rotation with] corn, 350 ha sugar beats, 200 ha rape seed, 600 ha of spring wheat, and 200 ha of sunflowers. There are also 160 ha of vineyard, 25 ha of orchards, and 300 ha of small grains for feeding animals. There are also 400 dairy cattle, 350 pigs and 10,000 chickens*

While Miroslav's and Klara's cooperatives were still operating – still employing people – such was not the case in all cooperatives. Ana Bandlerova, lawyer and Vice Rector of the Slovak Agriculture University explained:

> *Many coops have not profits; they are in a state of bankruptcy, but none have ever dissolved. 840 + Cooperatives, but only 700 are working. They can show a profit on paper, but many do not have employees. May produce nothing, but still take advantage of the state subsidy payment, for the work they reported on paper* (personal communication with Bandlerova, 2000).

These figures are supported by Blaas (2002) whose research indicates that most companies and cooperatives have operated at a loss since 1998. While companies operate somewhat more efficiently than cooperatives, their average life span is 1-2 years. Blaas indicated that the inefficiencies in both companies and cooperatives are the result of inefficiencies carried forward from [pre-privatization] collective farms (2002).

## Similarities Among Farmers

### Opportunity for entrepreneurship and income security

The independent farmers interviewed all expressed, in one form or another, that privatization provided an opportunity for entrepreneurship. Furthermore, it is evident in observing morale of independent farmers, that they find a great deal of satisfaction in being independent agribusiness owners. For Olga and Luba it has been a way of life for the past 18

to 20 years, which they have happily participated in with their families and are glad to continue. For Joseph, Stano, Miroslavka and Brano, these younger entrepreneurs, agricultural production is a new and exciting career. They are not alone. Bielik (2003) published the results of a survey conducted from 1999-2000 of 412 private farmers. He indicated that 30% of current farmers held non-agricultural jobs prior to 1990. He also found that 80% of survey group has at least secondary education or higher.

In the United States, during 2000 and 2001, record numbers of Americans were laid-off and out of work. However, unlike Slovakia, there is no documentation of a mass exodus to the countryside by the unemployed; with the intention of growing produce for their family consumption and the farmers market. While many Americans may change career paths as a result of poor economic conditions, there is yet to be a significant number relying on agriculture for stability. The Slovak reliance on agriculture and on community support during times of economic uncertainty demonstrates the strong tie to the land and to one another.

**Operating efficiently through diversification and pluriactivity**

Agricultural entrepreneurs are able to respond to market demands, find niche markets and produce value-added commodities. Joseph convinced his family to grow dry beans. Since it reduced the fertilizer needs of their operation (an in-put cost), it proved an economically and environmentally sound decision. Stano used manure, a by-product of rabbit production, and created a value-added product by composting it and selling it as fertilizer. Once he secures financing to produce feed pellets, Stano will become even more diversified.

Diversification is economically important for cash flow and financial security. Each of the farmers interviewed indicated that they produce several crops, or a combination of crops and animals. Helena indicated she would no longer produce vegetables; rather she would continue to import them for resale, thus demonstrating her ability to respond to market demands. Martina talked about making good management decisions that will result in a marketable product, without adding too much input cost.

Many Slovak farmers were involved in pluriactivity, that is they generate off-farm income. Bielik (2003) reported that farming is the primary source of income for 48% of farmers. The remaining 52% of agricultural producers strengthen rural areas through economic and social interconnectedness, a result of their pluriactivity (van der Ploeg and de Rooij, 2000). Examples of this abounded. For example, the family of university student Martina raised chickens, but did not consider themselves "farmers" because their primary source of income was not from farming. Josef worked primarily for the church, but was still an active participant in his family's business. Small producers and rural populations considered agricultural production not "farming"; rather it was a way of life to make ends meet.

These stories demonstrate the notion of what Van der Ploeg and de Rooij (2000) described as repeasantization. They characterized the current period of agriculture as "re-peasantization", which is the notion that "freedom is strategic in the history of farming." This includes the freedom from, and the freedom to. The authors explained that the family farm is free-from class and market restriction. In addition, the family farm is free-to operate in a self-chosen way. These freedoms make it possible for farmers to farm economically. It also allows for a greater number of farms, and encourages sustainable environmental

practices. Environmental practices are encouraged naturally as a result of their small scale (less mechanized, therefore less need for fossil fuels), and less need for petroleum based fertilizers (because they are cost prohibitive for smaller operations). Most of all, it should be an integral part of rural development, as revenue and social capital is reinvested into the surrounding community.

Van der Ploeg and de Rooij (2000) contrasted rural development with the modernization paradigm (large scale, high technology agriculture production, large environmental impact), and the farming economically paradigm (small scale, pluriactivity, petty commodity production, low environmental impact). They concluded that farming economically is an important development strategy associated with repeasantization, "Farming economically is to be considered as an integral part of the rural development process" (p. 49). It allows for flexible and multiple uses of resources, and "...for levels of employment and income-generation that are crucial to the social fabric of the countryside" (p. 50).

Slovak cooperatives do not yet entirely fit the modernization paradigm, though their intention is to develop in such a way. Still, it should be said that in Slovakia, cooperatives are not at all profitable, though they too contribute to the economic and social vitality of rural areas. Even though cooperatives often over-employ, Swain (2000) pointed out that such a practice is acceptable because the labor costs are very low. Many "non-viable" farms are important for household vitality. They are not market-oriented; rather, they are communally oriented and "obligated" to provide employment for the local population. This phenomenon was echoed in the Miroslava's interview, when she indicated that her cooperative employed *"too many in winter."*

**Reliance on social networks**

Josef talked about adding a hog confinement, but his family did not continue with the approved plans on account of the protest from community members. Stano developed economic opportunities that benefited rabbit producers throughout the country. Producers and landowners were patient with inadequate cash flow and accept barter payments. These instances demonstrate the communal nature and strength of social ties within communities and among Slovaks.

Slovakia is scheduled to join the European Union in May 2004. This process is referred to as accession. In order for accession to take place, the Slovak Republic was required to meet economic criteria that include the implementation of bankruptcy legislation, completion of the privatization process, and "completion of efficient land and capital markets in the rural and agricultural sectors" (Council Regulation (EC) No 622/98, 1998).

Some Slovaks view European Union Accession an "intrusion into family life" which threatens their livelihood and survival (Swain, 2000). Kulcsar and Brown (2000) further demonstrate the importance of local social networks, and the family unit in terms of economic development. The utilitarian and communal activities of rural families enable them to be resourceful and innovative during times of economic uncertainty – strengthening the local social network. Local social networks are an essential platform for future economic development in rural areas.

## Current Land Use Policy: Its Influence on the Land Market and Credit

A survey conducted from 1999-2000 of 412 private farmers, revealed internal Strengths and Weakness, and external Opportunities and Threats (SWOT) in the Eropean

Union pre-accession period. Among several weaknesses identified was the underdevelopment of a land market – as a result of lack of credit, atomized land ownership, and high start-up costs (Bielik, 2003). Let us examine first, the underdeveloped land market from a policy standpoint, and then speculate on its relationship to credit and cash flow.

The current land use policy originated primarily from the following three acts: Act No. 229/1991 "On conciliation of property rights to land and to other agricultural property"; Act. No 92/1991 "On requirements for state property transfers to other bodies" (the so called Large privatization act); and Act No 42/1991 "On settlement of property rights in cooperatives (the so called transformation act). Act No. 229/1991 designated the restitution procedure and required eligible citizens to submit claims by December 31, 1992. Blaas (2002) reported that 38,329 individuals and 2,254 land associations submitted claims. By 2001, 90% of claims had been resolved, but the remaining 10% may not be resolved until 2004. As mentioned previously, this act restituted the title of the land, and was not intended to allow use of the land.

Act No. 42/1992 legislated the 50:30:20 rule and stipulated that cooperatives meet claims for asset withdrawal within seven years. In 1995, it was amended with Act No. 264/1995 which converted property shares to equities – a move intended to keep landowners from withdrawing assets for fear that cooperatives would fail. Act No. 92/1991 resulted in the privatization of state farms. Initially state farms were divided up into smaller holdings and sold. Eventually several state farms were converted to shareholder companies (the state being the primary share holder in many cases). Blaas (2002) noted, "By the end of 1998 the privatization of state farms has been completed... The structure of new owners is unknown,

but many of them have been recruited from former state farm managers... The entire privatization process was lacking transparency" (p. 67).

The first of the three pieces of legislation mentioned above makes private landownership unattractive to would be investors and entrepreneurs. Who would purchase a piece of land they could not gain access to? Such a policy makes land value-less. Land is a primary resource, necessary for obtaining credit. Just as an investor does not see value in property without easements, neither do banks.

The subsequent acts listed above, in addition to the first, demonstrate extreme favoritism towards large-scale operations: cooperatives, limited liability companies, and shareholder companies. As a result of ineffective enforcement of bankruptcy laws, these large operations are able to remain in business. They do not contribute to GDP, or even pay financial obligations, thus contributing to poor cash flow. Value-less land is favorable to cooperatives renting from (or paying dividends to) absentee owners, who might otherwise want to withdrawal their property and sell it for a profit. In this way it also discourages farm expansion; where a family farm is looking to purchase land from private individuals. In addition to small farmers not being able to profit from land ownership, landownership is unfairly taxed – based on potential out-put rather than actual value.

## Problems with Cash Flow

Despite organizational differences, there is at least one similarity between cooperatives such as Klara's and small farms such as Josef's—the need for cash flow. Klara described the cooperative's experience with this challenge:

> *We do not need subsidies, but functional money flow. The state is most responsible for poor flow. It may take on year to get money. Laws exist*

*against this, but in Slovakia you can go around this. Milk was sold to Agri-Milk, a firm in Nitra [which supplies local groceries]. They are in a state of bankruptcy, and owe 9 million SK to the cooperative.*

Because they do not have enough cash flow, the Moijmirovce cooperative also cannot pay cash rent at all times. Like the Miroslav at the Cjaiko cooperative and Joseph's family farming operation, the Moijmirovce cooperative pays rent in meat, seed, fruit and wine. Foreign chain stores, such as British-owned TESCO can guarantee payment within 60 days, but other stores cannot. The Moijmirove cooperative is grateful that they are able to sell some goods to TESCO for cash payments.

## Findings

The four primary findings of this study include:

1. The land restitution and privatization process provided economic opportunities for many Slovaks. For some it provided opportunities as an economic buffer, allowing them to produce food for their families during the economically uncertain time since Slovakia independence in 1991. Elderly and widowed farmers producing fruit, vegetables or flowers and then selling them at the local farmers market earned additional cash income. Several Slovaks also took advantage of entrepreneurial opportunities; farming crops, vegetables, fruits or rabbits.
2. The Slovak communal and utilitarian tradition is a challenge for both independent farmers and cooperative farm managers. Independent farmers experienced social pressure when they removed land from their local cooperative or tried to expand their farming operation. Farm managers often over-employ, by providing as many jobs as possible for villagers, and operate their farms less efficiently and without a profit.

3. Access and the ability to use land is a greater detriment to the land market than land atomization. While fragmented plots of land may make land less valuable. Land without access is useless and therefore without value. Furthermore, by denying restituted landowners access to the land in favor of allowing cooperatives to farm the land, the natural supply and demand relationship between landowners and prospective land purchasers is retarded. If restituted landowners were allowed access to their land, there would be a demand and thus a market for land – even if only the cooperatives that currently had the land in production desired to obtain it.
4. Unreliable cash flow challenges economic growth throughout the country and is exacerbated by the state. Since the state still has a great deal of ownership in companies that process and sell commodities, its lack of solvency effects all levels of agriculture: corporate farms, independent farms and household farms. Limited cash flow has led to a barter system in which land rent is paid for in farm products; farmers are cash poor at all levels. With a better cash supply, farmers may be able to purchase land – further developing demand and a land market.

**Does the Current Road to Rural Development Move Toward the Slovak Village?**

From the experiences of small, independent farmers in Slovakia, it is evident that there is a desire to follow or return to their agrarian traditions. These family farmers are educated and creative. They are actively participating in agriculture despite the challenges previously described with access to land, working capital and cash flow. Despite their strife, the European Union working document deems small producers a hindrance towards development (European Commission, 1998). The path to development at top levels calls for

land consolidation, and industrialized, large-scale agricultural production (the modernization paradigm). This raises the questions: "What is best for rural Slovakia – the elimination of small producers? Or the survival of petty commodity production?" In the concluding chapter, Chapter 4, the modernization paradigm is contrasted with the emergent theory: Rural development in Slovakia must allow for multiple levels of agriculture production which include small petty commodity production, medium sized family farms and large-scale agriculture production operations.

# CHAPTER 4. CONCLUSION

## Different Ways of Experiencing Restitution

Slovaks positively perceived the land restitution process in many ways. It was seen as an opportunity to start their own agricultural enterprise, diversify and supplement family incomes, reclaim a connection to the land, and increase the overall nutrition of families during uncertain times. Not all Slovaks, and European Union members view the human capital that has returned to the countryside as economically healthy. Just as there are many ways to positively frame the land restitution process, there are just as many opposing views. Slovaks employed by collective farms for generations, gave up their own land rights for the sake of the newly formed cooperative. They may have seen land restitution as a detriment to the community; threatening their livelihood. Neighbors with whom they had worked for years were now market competitors as independent producers. In some cases restitution stripped cooperatives of vital machinery and buildings, or livestock.

In addition to the strain the privatization process was placing on cooperatives, the migration of people from larger cities to farming suburbs, or rural communities strained state and local government resources. Transportation infrastructure, housing and education became a challenge to meet. These consequences are identified by the European Commissions 1998 Directorate General for Agriculture (DG VI) Summary Report on the Cultural Situation and Prospects in the Central and Eastern European Countries (CECs):

> In several CECs there was net migratory flow to the countryside as general economic conditions worsened during transition and agriculture played the role of buffer, allowing people to live off their plots of land in their homes villages and supplement other income sources such as retirement pensions. The underemployment and hidden unemployment related to subsistence

> farming posses large future challenges for a balanced development of the rural economies. (p. 24)

With respect to the case studies presented in this research, over-simplifying the migration as an "economic buffer" and referring to the movement as "underemployment" the CEC document discounts people's motivation for migrating to rural areas. Case study participants would balk at the idea of being underemployed. Many set out in search of opportunity, and upward mobility. They found stability in their roots. Some Slovaks left bustling urban areas for quieter villages while others reclaimed property as part of their family legacy.

## Modernization Paradigm versus Multi-level Production

As previously mentioned, the modernization paradigm sees the future of agriculture as high technology, and large-scale. Undeniably, this is the primary path of the "developed" world. As a result, those involved with rural development should seriously question the modernization model. After all, this was the model farmers in the mid-western United States were a part of during the agricultural boom of the 1970s and the bust of the 1980s. The modernization paradigm will, no doubt, be a part of global agriculture indefinitely; however that is not to say that it must be the only paradigm. Cochrane (1993) indicated that currently in the United States there are four size categories of farms: very large (earning $250,000 + annually); large (earning $100,000-$249,999 annually); medium (earning $40,000-$99,999) and part-time farms (earning less than 439,999). He points out that very large farms account for 57 per cent of the commodity production in the United States and account for only 5 per cent of the total number of producers. Part-time farmers in the united sates account for only

10 percent of the total output, but account for 70 per cent of the total number of producers in the United States (Cochrane, 1993).

The farm structure in Slovakia resembles that of the United States. Blaas (2002) indicates that 93 per cent of the total farms in Slovakia are considered small household farms (Figure 1), and control only 12 per cent (Figure 2) of the total share in land area. She adds that while large corporate farms account for only .4 per cent of the total number of farms, the land they control amounts to 38 per cent of the total land area. Blaas' (2002) statistics also

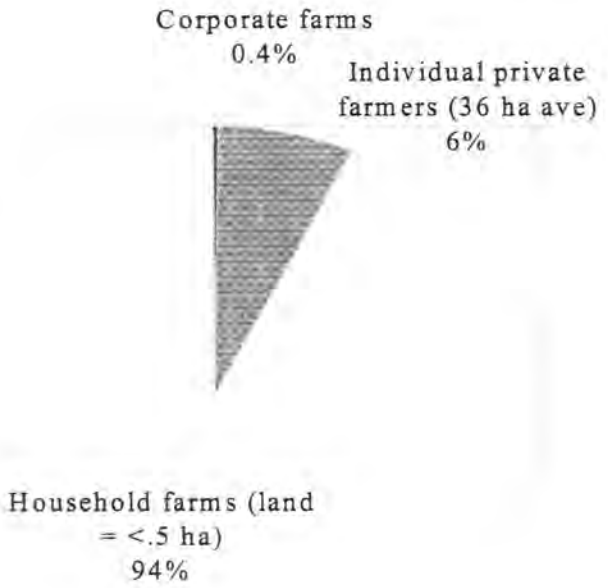


Figure 4.2. Farm distribution by type (317,000 total farms)

show that individual farmers (medium sized operations) account for the largest share of total land area. In the case of Slovakia, cooperative farms can provide some of the large-scale production necessary for processing and trade, and are in line with Slovak utilitarian values. Small and medium sized producers create balance by filling their own niches, while operating sustainably.

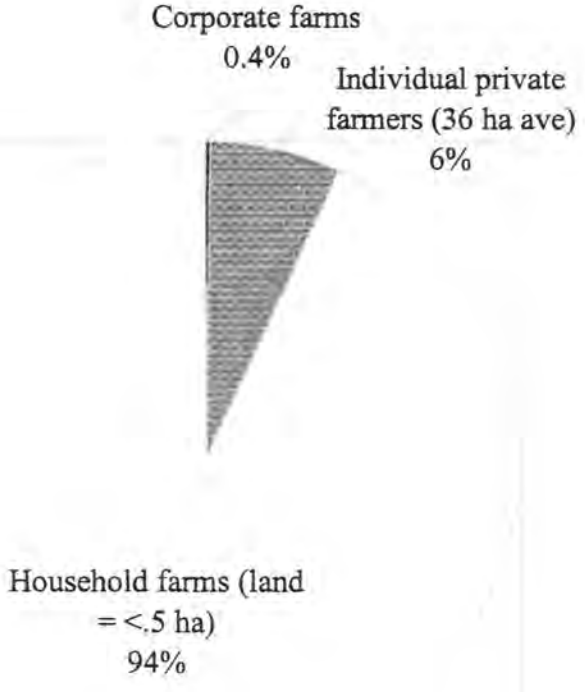


Figure 4.2. Farm distribution by type (317,000 total farms)

**Development should reflect cultural land use and present values**

Both paradigms can coexist because they each reflect the culture and values of citizens. Kaiser et al. (1995) described land use change management in terms of a stool whose, "legs are social use, market and ecological values. Further joining the legs is the overarching concept of sustainable development. For the stool to stand every part must be in place, equally proportioned and properly joined" (p. 52). Using this analogy, the social use leg has typically been out of proportion in the case of Slovakia, as the cooperative interest is favored at all levels of government. Small producers can help to balance the two other legs - as long as a land use policy is established. A land use policy that continues to favor only collective farms does not reflect the culture and historical patterns of Slovaks. A land market can become established once an effective land use policy (complete with ownership and entitled access to owned land) is in place. Once a land market is established, small producers may decide to consolidate farmland on their own (de-fragmenting parcels). Most importantly, rural families may gain access to credit, thus allowing their operation to expand or develop.

## Limitations

The limitations of the study were:

1. The study was limited to farmers within a 30 minute driving radius of Nitra, Slovakia. Nitra is located in the "breadbasket" of Slovakia where land is flat or rolling and quite fertile. Farming or land tenure experiences in other regions of Slovakia may not be comparable.

2. Interviews were conducted with English-speaking farmers or assisted by a student interpreter. The English-speaking farmers had a high level of education – greater than the norm among Slovak farmers.
3. Ethnic minorities such as Romany or Hungarians were not included. Their experiences with land tenure and restitution may not be comparable to the Slovak farmers interviewed.
4. The sample represents individuals characterized as corporate farmers (managing more than 1000 ha), individual farmers (operating between 1 and 999 ha), and household farmers (operating less than 1 ha). However, the sample is not proportionate in its representation.

## Future Research

Future research should include follow-up interviews with those identified in this study after the accession into the European Union. This research did not address the inequality experienced by ethnic Hungarians. Few statistics regarding the restitution of land to ethnic Hungarians exist. Interviews regarding land use policy and restitution with minority populations, such as Hungarians, ought to be conducted in the future. Additionally, perspectives on land use and ownership from Slovak Roma, once considered landless and nomadic until forcefully "settled" during the communist era, ought to be gathered.

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